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ABSTRACT

Financial aid for students is now a complex educational industry, with expenditures in California reaching \$1,500,000,000 in 1987 (including loans, grants, and jobs). This has grown from under \$10,000,000 in the 1950s. As it became more important to study the policies involved in student financial aid, The Eureka Project was created. This privately run project reviews the development of California student financial aid, defines issues, and suggests future policy guides. Since students are active participants in the student aid delivery system, they need to understand how they participate. This booklet explains the application course and discusses when different information on recruitment and student aid is given to California high school students. It looks at such specifics as deadline dates and award announcements. There are explanations of the Cal Grant and Pell Grant programs, as well as specifics on what type of information is needed for application. Also noted are requirements for guaranteed student loans. (SM)

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Running the Application Course:

The Student Financial Aid Delivery System

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THE **EUREKA**

PROJECT

A Review of Student Financial Aid in California

Running the Application Course:

The Student Financial Aid
Delivery System

November 1987

PREFACE

Student financial aid has become a major and complex educational industry. This year in California alone expenditures will be approximately \$1,500,000,000 in all forms of financial assistance—grants, loans, and jobs. Anyone who has been associated with student financial aid is soon struck by how complicated the rules and structure are and how the students and colleges must deal with a multitude of agencies and organizations. Student financial aid is large, important and confusing.

Thirty years ago student financial aid nationally was less than \$100,000,000. In California it was less than \$10,000,000. The few government programs that existed were relatively simple in design. While funds were inadequate, the standards and procedures were comprehensible to all involved. Administration was, by today's standards, simple. Limited student financial aid, largely scholarships, was an activity funded by individuals, college endowments, and local groups. Even scholarships financed by PTA bake sales or similar activities were important to the total structure of financial aid.

Over the last three decades all financial aid has grown and its composition and sources of funding have markedly changed. In the last ten years loans have replaced grants and scholarships as the principal form of student aid. With a massive infusion of loan funds through commercial lenders, the nature of student financial aid has

changed. The locus of funding activities has moved from the PTA bake sale to huge federal appropriations, multimillion dollar stock and bond issues and an occasional international financial transaction to finance secondary loan markets.

As student financial aid has assumed a larger role in postsecondary education, it has become more important to review the policies that have undergirded it. One endeavor is to find out what the policies have been and if they have been explicitly enunciated or developed unofficially throughout the course of events. Policies, either as specifically adopted or developed in an evolutionary way, need to be reviewed for their past effect, current value, and future utility. Problem policies need to be identified and policies appropriate for the balance of this century developed.

It is these concerns that led to the creation of The Eureka Project. The Eureka Project is a privately organized, funded, and directed review of student aid policies in California. It is entirely funded by major grants from the James G. Irvine, Weingart, and Haynes Foundations, and by a supplemental grant from the Atlantic Richfield Foundation.

The Eureka Project is under the general direction of a board of directors, with more technical and specific advice to the project given by a steering committee composed of representatives of interested groups and institutions in California. A staff of consultants has come together to direct and write the various studies under The Eureka Project.

The Eureka Project aspires to review how California student financial aid developed, what it has done, what it has not done, and how it has served the interest of the general public, students, and institutions. The Eureka Project attempts to define issues and suggest policy guides for the future that may confirm where appropriate repair is needed and where redesign is desirable.

To this effort, The Eureka Project brings the experience of many individuals in postsecondary education and student financial aid. Their views are reinforced or tempered by available data.

With the broadest possible perspective, The Eureka Project studies the financing of higher education opportunities in California and the impact of current financial aid programs upon the formal structure of higher education and students. Within this perspective

lies the concern that the door of educational opportunity may be closing, that the health and vitality of quality independent institutions could be at risk, and that the current student financial aid system has a wide range of unintended consequences.

The Eureka Project anticipates issuing approximately a dozen reports in the fall of 1987. These reports will endeavor to stimulate policy review of student financial aid and financing of higher education in California and will be offered by the Board of Directors as thoughtful documents for that purpose. The reports will not necessarily represent the views of members of the Board of Directors or of the four California foundations whose grants have made The Eureka Project possible.

The first report of The Eureka Project is an historical essay entitled "Origins and Outcomes." It is not a conventional history and does not attempt to record all the events that have been instrumental to the growth of student aid. It does try to give an understanding of the major ideas and forces that have powered the development of the large educational enterprise that has affected the lives of students, institutions and the state.

The second report of The Eureka Project is entitled "Briefly Speaking: An Introduction to Student Financial Aid for Policy Makers" and is written to help educational policy makers without specific experience with student financial aid understand the basic elements in this particularly complex educational enterprise.

This report is also written to help educational policy makers without specific experience with student financial aid to better understand this complex educational enterprise by focusing on the delivery system through which students and parents must travel. William Van Dusen was the drafter of the report.

It is hoped that the studies from The Eureka Project will be useful references for individuals who will be deciding the future of student financial aid in California. Subjects in future studies and essays will be:

- Effectiveness of student financial aid in California with reference to both students and institutions.
- The premises that have undergirded the development of eligibility standards and practices for eligibility and need analysis.
- Financial aid for graduate and professional school students.

- Perceptions of and attitudes toward student aid in California.
- A discussion of the student loan programs and the issues attendant to the accumulation of student debt.
- Comparison of California with other industrial states.
- Identification and discussion of major policy issues.

A final report will synthesize the major findings of The Eureka Project studies and essays.

The Eureka Project plans to complete its work by December of 1987.

Arthur S. Marmaduke
Executive Director
The Eureka Project

RUNNING THE APPLICATION COURSE

Although students often are viewed as passive beneficiaries of financial aid, they are also active participants in the student aid delivery process. Understanding the current status of aid in California requires some understanding of how they participate.

College attendance may have been a family expectation for several years, but focus on specific colleges, what education at those colleges will cost, and how the family will meet those costs generally comes rather late in high school. For most high school students contemplating postsecondary education, the first specific information about costs and aid probably will come in the Spring of their junior year.

For students who participate in pre-college testing like the College Board's Preliminary Scholastic Aptitude Test (which also serves as a preliminary screening device for the National Merit Scholarship competition), direct mail from colleges seeking to interest them in attendance will begin to arrive in January and February. Representatives of individual colleges will appear on the high school campuses for "college nights" throughout the Spring. However, much of the information students receive from these sources is oriented toward recruitment and does not focus on specifics, particularly on specifics of the aid application process.

The first hard information most students will receive about the aid application process comes from the California Student Financial Aid Workbook, published by the Student Aid Commission (CSAC). This 22-page publication presents information about

- Average costs
- Who qualifies for aid
- Major student aid programs
- Application procedures and deadlines
- Financial planning
- Student rights and responsibilities

In late November or early December, the aid applicant can obtain the Student Aid Application for California (SAAC), which, if aid were needed for the academic year beginning September, 1988, will have to be completed and returned by March 2, 1988. Although this document is developed cooperatively by the Student Aid Commission and the postsecondary institutions and segments, its content is to a very large degree dictated by the federal government.

To simplify the application and delivery process, the federal government has instituted a "multiple data entry process" (MDE), which permits qualified private need analysis agencies to collect and process information for use by state agencies and individual colleges. If the information gathering forms and procedures of these agencies conform to Federal standards, the information they collect can also be transmitted to the Federal Pell Grant processor for use in determining eligibility for that Federal program. The SAAC qualifies for participation in the MDE process, and its contents conform to the Federal requirements.

The SAAC for the 1988-89 academic year is a 16-page document that includes the actual data collection document, general and California-specific instructions, and a coded list of institutions and agencies in California that either require or accept the form as part of their application for financial aid. The data collection document has 99 numbered questions, but if all of the sub-questions are counted, it collects more than 166 pieces of information.

Dependent students provide information on the SAAC about their parents; independent students provide information about themselves and their spouses.

Processing of the SAAC is performed on behalf of the Student Aid Commission and California postsecondary institutions by the College Scholarship Service (CSS). The student completes the SAAC and returns it to CSS at its Oakland, California processing center.

Students who are interested in applying for one or more of the "Cal Grant" programs administered by the Student Aid Commission may do so by completing the "Cal Grant" section of the SAAC. This section contains five numbered questions. Applicants to the "Cal Grant C" program will be required to complete a supplement once the applicant is determined to be financially eligible.

The first "return" to the student from the aid application process will probably be an "acknowledgement" from CSS. This seven-page document serves three purposes:

- First, it repeats the most significant information provided on the SAAC so that the family can be sure that no errors have been made.
- Second, it provides the student and family with a preliminary analysis of their "ability to pay" determined on the basis of the need analysis methodology dictated by Congress, commonly known as Congressional Methodology.
- Third, it provides a mechanism for directing family financial information to additional institutions and agencies.

Unfortunately, for many students the next return on the aid application process will probably be a request for more information.

Most California institutions have their own aid application form that collects information each of them needs for aid eligibility determinations. These applications are not standardized and assume institutionally idiosyncratic form and content. Pieces of information will be requested related to the student's characteristics and the aid programs available at the institution.

Institutional applications and supporting information must be submitted before some "priority deadline" if the student is to be considered in the institution's "first wave" of eligibility reviews. At many institutions, those who are not processed in the first wave of applications may receive only less desirable forms of aid (perhaps no grants) or no aid at all. The priority filing date for University of California is March 2, 1988, for students seeking aid for September, 1988. The priority filing date for the California State University is March 1, 1988.

Most independent institutions have deadlines around the beginning of March, while the community colleges typically follow a later schedule.

If all of the required information is submitted by the "priority deadlines," the student's qualifications will be reviewed and eligibility determinations made. In some cases this will result in a request for additional pieces of information as specific personal, academic, and financial characteristics of the student are reviewed by the aid office.

A series of iterative requests for information may continue for some time. Finally, however, once all of the information is provided and reviewed, an award or rejection letter will be sent to the student.

While the form and content of the award letters are also determined by the individual institutions, typically they include:

- A description of the estimated cost of attendance used by the institution in determining the student's need.
- A report of the expectations the institution has for contributions from the student and parents.
- An estimate of the award the student may receive from the Federal Pell grant program.
- A description of the grants, loans, and employment opportunities the institution itself will make available to the student.
- A description of the next steps that the student should follow.
- A statement of the student's rights and responsibilities.

The student usually will be required to indicate acceptance of the offered awards, sign the award letter or an attachment, and return the signed document to the college by some specified date.

In most instances, one significant form of aid to California students will be omitted from the institutional award letter. Processing of eligibility determination and need analysis for the Cal Grant programs is performed in parallel to, but separately from, the institutional eligibility determinations. Since Cal Grant eligibility and award amount cannot easily be determined by the institutions, many of them will not include estimated awards in their notifications to the students, although many of them will leave a "gap" in their awards that they anticipate will be filled with a state award.

Cal Grant eligibility determinations may themselves be accompanied by requests for additional information and documentation

from students and parents. These requests for information may duplicate, but are not coordinated with, requests from the individual institutions derived from their independent review of the same information.

Announcements of Cal Grant awards are made in succeeding waves as documentation is received and review completed. The first wave of Cal Grant announcements typically is made in May. The Cal Grant award notice, different in form and content from the institutional notices, contains a request for additional information about actual matriculation decisions, a requirement for signature, and return by a specified date.

If the student has instructed that CSS send financial information to the Federal Pell Grant processor under the MDE arrangement (and most high school students do), a concurrent eligibility determination will be performed under that program's eligibility rules. This review may also result in requests for additional information and documentation from the student and parent. Pell Grant eligibility determinations typically begin in April and continue student by student with announcements sent to individuals as their specific circumstances are reviewed.

Pell Grant eligibility determinations are communicated to students on a four-page "Student Aid Report." This document reports the Pell Grant Student Aid Index (SAI) but not the award amount. In order to learn the actual Pell Grant award (which hopefully will be close to the estimate made by the institution in its award letter), the student must take the SAR to the institution he or she will attend. The institution will compare the Pell processor determined SAI with the student's cost of attendance (as prescribed by the federal government) and determine an award based on a "Pell Grant Award Schedule."

The student will now have received initial notice of the federal, state, and institutional aid he or she may expect to receive the next fall. But, unfortunately, for many the process is not yet over. In order to assure proper stewardship and accountability, the federal government has established "verification" procedures under which the information submitted for eligibility determination must be reviewed.

Although the size of the group for whom verification is required

will vary considerably, it averages about 30 percent of the applicant population. Some institutions, however, seeking to avoid both mistakes and administrative complexities, have determined that they will verify the information submitted by all their aid applicants.

Most aid applicants selected for verification will be required to submit a copy of their own and/or their parents' federal income tax return (or for non-filers, comparable information supplied on a form sent to them by the institution). Some institutions will settle for pages 1 and 2 of the 1040 (or comparable form). Others require copies of all schedules and attachments.

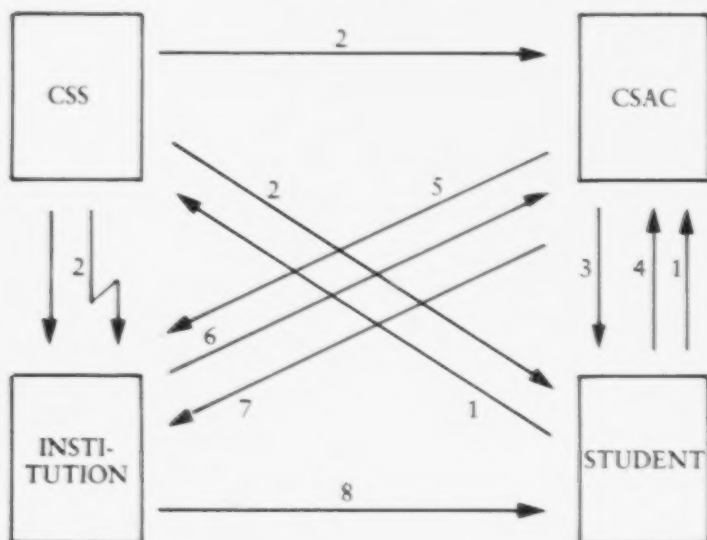
Many families are also required to document (usually through a signed statement) the identity of all family members and all family members who will be attending college concurrently with the applicant. In some cases, those with other family members concurrently in college will be required to obtain signed statements certifying enrollment and course load from each of the other institutions.

Families with certain kinds of non-taxable income will also be required to document the source and amount. In some instances (as with Social Security and welfare recipients) this involves obtaining signed statements from the agency that provides the benefits.

If the institution identifies differences greater than a federally-specified tolerance between the information submitted to the Pell Grant processor and the information it receives during verification, it must require the student to submit a "correction document" to the Pell Grant program. This will result in re-estimation of Pell Grant eligibility, generation of a new Student Aid Report, recalculation of the Pell award by the institution, and possibly repackaging of the institutionally provided aid.

The following two graphs demonstrate the multiple steps that California students may be forced to take in applying for and receiving institutional and state aid:

CAL GRANT DELIVERY SYSTEM



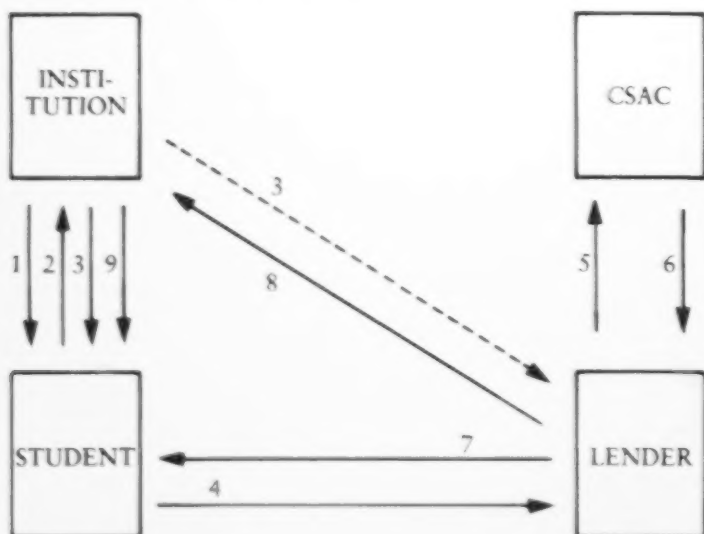
1. Student submits SAAC to CSS
2. CSS processes SAAC and notifies
3. CSAC selects winners and notifies
4. Student confirms attendance plans
5. CSAC notifies institution of award
6. Institution confirms enrollment
7. CSAC forwards funds to institution
8. Institution disburses funds to student

For an ever-increasing portion of the aid applicants, there is one more significant step in the process. Many students must rely on a guaranteed student loan (GSL), provided by a bank or other lending institution, to meet some part of their financial need. For these students, a totally separate loan application must be obtained, completed, submitted to the postsecondary institution for certification, and returned to the lending institution of choice for processing. While the guaranteed student loan may have been included in the student's "package" by the institution, it does not become a reality until the subsequent application procedure has been completed successfully.

The following chart identifies the additional steps that a stu-

dent must take in order to obtain a guaranteed student loan under the present system. A new electronic system is being implemented to improve these procedures.

GSL DELIVERY SYSTEM



1. Institution may notify student of loan eligibility
2. Student submits GSL application
3. Institution certifies eligibility and returns application to student or lender
4. Student submits application to lender
5. Lender approves and requests guarantee
6. State provides guarantee
7. Lender informs student of approval
8. Lender sends funds to institution
9. Institution disburses funds to student

As complicated as these procedures may appear, they are simpler than those that existed before 1975, when the Student Aid Commission adopted the "common form" developed by the National Task Force on Student Aid Problems. Before that time, a student might have had to submit as many as seven different need analysis documents, each more or less duplicating the same information, in order to demonstrate eligibility for federal, state, and institutional aid.

Those who receive student financial aid are given the opportunity to participate in the educational process that for many years has provided a means for self-improvement and economic mobility in the United States. For those who are unable to negotiate the long and often difficult series of paper and procedural hurdles necessary to obtain that aid, there is the loss of this opportunity and an inequity that should not exist in this country. Surely, policies and procedures can come together to smooth the course toward an equal opportunity for all.

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